

"WE APPROACH OUR HALF CENTURY WITH IMPRESSIVE RESOURCES... A STRONG BRITISH BASE AND A GLOBAL SPREAD OF BUSINESS"

Mr Rowland Wright, Chairman of ICI



Addressing stockholders at the 49th Annual General Meeting of Imperial Chemical Industries Limited, held in London on April 2nd, the Chairman, Mr. Rowland Wright, said:

This meeting takes place in our fiftieth year. ICI having been incorporated on 7th December 1921. Some of our stockholders have held their titles in the Company ever since that date, and have seen for themselves how ICI has grown in strength and stature to become one of the world's principal chemical groups. We approach our first half-century with impressive resources. While retaining a strong British base, we have established a global spread of business. We have developed a broad and well-balanced range of products, backed by advanced technology.'

Industrial Relations

'Those who work for us, I am happy to say, provide good evidence that industrial relations do not have to be one long story of militancy and mutual antagonism. In this way, ICI and its Chairman of ICI has many opportunities to meet employees face to face and to hear their views first-hand but in addition over the past year, I have made a special effort to discuss informally with small groups of employees – at all levels – a wide range of topics affecting them and our business. These visits have stimulated some disappointment but took place in many of our major locations, both at home and abroad, and they involved me in talking with and listening to well over one thousand of our people. I found much to encourage me in their attitude and identification with the well-being of ICI.'

A Testing Year

'These resources helped us to come through 1973 as well as we did. Let me remind you that it was one of our most testing years. I do not think many people realising that, in continental Europe, world-industrial production had fallen by no less than 11 per cent in the course of just over a year – a sharp contrast to the growth, averaging 5 per cent a year, that we had learnt to expect ever since the War. In the first half of 1973 the economies of the three great trading areas – Europe, the United States and Japan – actually declined. Chemicals, fertilisers, oil and gas, and, although there was some recovery in the second half of the year, world output of chemicals for the year as a whole was 9 per cent lower in 1974. And in the United Kingdom we were burdened with one of the highest inflation rates to be found in any country. It was only in the last few months of the year that the gloom began to lift.'

Resilience

'In such conditions we did well to achieve a 5 per cent increase in the value of our sales, with a fall in volume being more than offset by price increases. Even so, these price increases were not enough to cover the very large rise in our costs, and profit before taxation grew only by more than a quarter (£37 million). After deducting results in 1974 this was a setback, but it was a great deal less severe than profit falls suffered in many other parts of the world chemical industry. ICI demonstrated a degree of resilience which says something, I believe, for the soundness of our policies.'

'A less well-balanced product range could have cost us more dearly. As it was, although there was a significant decline in plastics and, to a lesser degree, petrochemicals and organic chemicals, the effect of that was lessened by our performance in some basic inorganic chemicals, fertilisers, crop protection products and pharmaceuticals. This is not to say that we

can flow. This simple fact needs to be widely understood and for this reason we have presented in the Annual Report a statement of the year's results in terms of value added. This shows that the total wealth created by ICI in 1975 approached £1 billion thousand million. What happened this year? Less than half was paid out in employee benefits, mainly in wages and salaries. A fifth was needed to cover our tax bills and to remunerate the providers of capital – ourselves, the ordinary stockholders; our bond and preference stockholders; minority shareholders and subsidiaries. The remainder – some £300 million – was retained for reinvestment in the business, supplying about three-quarters of the money required for new fixed assets and nearly half of the money for new investments. The balance came from additional borrowings, principally to finance overseas projects. May I say in passing that we were particularly pleased with the return of our \$100 million public borrowing in the United States. As part of that operation, America's two foremost rating agencies made a very thorough examination of ICI's performance and prospects, and we became the first non-US industrial company to be awarded the top rating, triple-A.'

Capital Expenditure

'We maintained our capital programme throughout 1975, despite inflation. Total investment in fixed assets and increased working capital came to more than £400 million, and we sanctioned another £300 million – well over half of it in plants in the United Kingdom. In 1976 we expect to make further substantial investments, with expenditure at some £360 million and expenditure at more than £400 million; in addition, we expect to spend over £80 million on the Ninian oilfield.'

Impact of Operation
'We drew strength from the geographical breadth of our operations from the United Kingdom and Europe and from Canada. Some businesses were disappointing, results in Canada were outstanding and in India, Malaysia and some businesses in the United Kingdom they were better than might have been expected in a world recession. The value of our exports from the United Kingdom fell from the record level of 1974, but we were able once again to make a significant contribution towards the country's balance of payments; this time of £350 million.'

'ICI's international dimension is the result of much hard work and planning over many years. For a company as large as ours, based on high technology, it is not always easy to compete. Chemical plants can only be competitive when built on a large scale, and they therefore need extensive markets to absorb their output. We must also be in a position to spread our costs over the largest possible volume of sales. This is why we seek opportunities right across the world to capitalise on our technology, experience and commercial skills. In turn, we seek opportunities for new industries and new skills in our host countries. A great deal of nonsense is talked about international companies, and I will not burden you with a detailed account of our own policies and practices. However, I would like to emphasise that in general our overseas subsidiaries stand on their own feet, manage their own affairs and develop their own managerial talent. One aspect of this may be of interest to you. Earlier this week the English chairman of our group of companies in India retired, and that leaves – just one – European among the hundreds of ICI managerial staff there.'

Creation of Wealth
'In every country where we have manufacturing interests, our business is to create wealth by adding value to raw materials. The wealth created by industry is not for the benefit of employment stands, and the source – the only source – from which major social improvements

can flow. This simple fact needs to be widely understood and for this reason we have presented in the Annual Report a statement of the year's results in terms of value added. This shows that the total wealth created by ICI in 1975 approached £1 billion thousand million. What happened this year? Less than half was paid out in employee benefits, mainly in wages and salaries. A fifth was needed to cover our tax bills and to remunerate the providers of capital – ourselves, the ordinary stockholders; our bond and preference stockholders; minority shareholders and subsidiaries. The remainder – some £300 million – was retained for reinvestment in the business, supplying about three-quarters of the money required for new fixed assets and nearly half of the money for new investments. The balance came from additional borrowings, principally to finance overseas projects. May I say in passing that we were particularly pleased with the return of our \$100 million public borrowing in the United States. As part of that operation, America's two foremost rating agencies made a very thorough examination of ICI's performance and prospects, and we became the first non-US industrial company to be awarded the top rating, triple-A.'

Open Competition

'Our competitiveness also depends on our own efforts to improve the effectiveness of the business in every aspect, from research to plant utilisation, from marketing to energy usage. As part of this process, we have been continuing, particularly in the United Kingdom, to look closely at the value of production per hour worked and per person employed. This is still significantly lower than the figures achieved by our chief overseas competitors; higher output per person employed is one of our top priorities and must be a subject of continuing discussion with our employees. We believe that this is essential if the results of these facts openly displayed and openly discussed by them, and in ICI we have the machinery for doing this. Our consultation processes have been evolved over the course of fifty years and from the outset they have involved all levels, including the ICI Board. We are constantly seeking to improve our relationship with our employees in our industrial society by building on a well-established base, to ensure that whatever arrangements we arrive at have two great merits: they are realistic, and they are practical. There is a saying that an ounce of practice is worth a ton of theory, and I think this should be borne strongly in mind wherever there is a tendency to talk in theoretical terms about what has come to be called industrial democracy.'

Management Team
'1975 proved to be a particularly demanding year for all our employees world-wide, and it is important that we maintain such a period of industrial relations that will not only maintain generally good, I would, however, like to make special mention of our management team in the United Kingdom. They, like their colleagues overseas, have had to face successfully the twin problems of recession and inflation, but at the same time have seen their living standards fall disproportionately to that of other employees: this is particularly true of those employees associated with the public sector. Such statistics only add to this unfavourable outlook. It is a prime concern of your Board that, if our Company is to lead in the dedicated way we need and expect, our managers should feel that their efforts are appreciated and recognised.'

Prospects for 1976
'I have given you a brief review of ICI in 1975 – a year of difficulties and challenges. So far this year, sales outside the United Kingdom, including exports, have been running at distinctly higher levels compared with the same period last year. In continental Europe, recovery is continuing, and in our oilfield and petrochemicals interests there is confirmation that the world economy has passed the trough of the recession, with expectations of growth for the remainder of the year. For the United Kingdom, chemical production is estimated to have been about 11 per cent higher than in 1975, but our own assessment of the United Kingdom's chemical production suggests a very much lower level than this. The eventual outcome for the year will,

therefore, be heavily dependent on our overseas performance.'

'All this gives grounds for moderate optimism, but I have also to sound a note of caution. Firstly, it will be in the interest of our Government to meet the United Kingdom demand. Secondly, the falling value of sterling, whilst assisting exports, will add to our bill for imported raw materials and intermediates; and even without the latter factor, the cost of our imports will be greatly increased – the oil situation which is the key raw material for petrochemicals, plastics, fibres, and many other products. Finally, we must press for higher selling prices if we are to recover losses, and, in conjunction with our drive for improved operating efficiency, achieve the improvement in profits to which I have already referred.'

'Much will depend on the success of the Government's anti-inflation strategy; there is a long way to go and I firmly add my voice to those who say, as I believe the vast majority of people in this country do, that inflation is our highest national priority. We also look to Government for a strong lead in fostering a healthy economy by allowing industry the freedom to operate successfully and profitably.'

'A strong line on inflation, a climate in which industry can grow and prosper: we can justifiably look forward to that. What I mean by this should expect, from our government, is the creation out of thin air of the money to make reality of expectations. There are plenty of expectations, and very laudable ones; we all want to see an end to unemployment, poverty and hardship, we all want to see new homes, hospitals and schools built, better provision made for old; and we all want to see a sense of hope and compassion in our society. But only when that is accompanied by a more widespread recognition that higher standards of living must come from the wealth created in the country's factories, workshops and laboratories. Those of us who work in industry have a job that becomes increasingly more demanding and difficult. If we share that view, it is because we hear so much criticism, much of it ill-informed, about industry and so little about the indispensable role it plays.'

Directors
'There are a few items concerning the Board which I must bring to your attention. Let me say first how deeply shocked we were by the death in January of Sir Ronald Edwards. He had been a non-executive Director since 1969, and we valued him both as a friend and a colleague; he is greatly missed.'

'Three new Directors have been appointed since our last Meeting. Mr A. A. Jarrett, Chairman and Chief Executive of Reed International Limited, joined us in September as non-executive Director. Mr J. A. Townsend, Chairman of the Company's Trustees, and Mr J. R. Ihse, General Manager responsible for planning, were appointed as executive Directors a month ago. Earlier this year, Mr F. J. F. First, our Finance Director, and Mr Townsend, who has been particularly concerned with our business in Continental Europe. Both have rendered long and valuable service as executive Directors.'

Tribute to Employees
'Lastly, I know you will want to join me in thanking our employees all over the world for their hard work and determination over the past year. Despite the effects of inflation, and inflationary pressures down on them, but in their response to these demands they showed, yet again, that ICI's people are its greatest strength.'

 **Imperial Chemical Industries Limited**



Despite the recession, ICI maintained its investment programme throughout 1975, spending over £1 billion on new projects. One of the major overseas UK projects is the 500,000 ton a year ethylene plant now being built at Fawley. The plant will be jointly owned by ICI and BP Chemicals, and is due for completion next year.

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